

## from the secretary of the treasury...



### STATEMENT OF THE SECRETARY OF THE TREASURY

The Department of the Treasury's Financial Management Service has prepared the "Consolidated Financial Statements of the United States, Prototype 1995," which provides an unaudited summary of information on Federal operations and financial positions.

During fiscal year 1995, the American economy continued to expand, aided in part by the effects of the 1993 deficit reduction package. As a result, these statements reflect a significantly improved federal financial picture for fiscal year 1995. For the third year in a row, the federal budget deficit declined—it was reduced by \$39 billion to \$164 billion—its lowest level since 1989. In addition, inflation remained low at 2.5%, the unemployment rate dropped to 5.6%, and overall, the economy grew by 2.0% (real GDP).

The Department of the Treasury, the Office of Management and Budget (OMB), and the General Accounting Office are working with a Task Force of agency Chief Financial Officers and Inspectors General to ensure that the necessary financial information is available to meet the requirement of the Government Management and Reform Act of 1994 that all major federal agencies prepare audited financial statements for fiscal year 1996 by March 1, 1997. The act also requires that Treasury issue the first Government-wide audited financial statements covering fiscal year 1997 by March 31, 1998.

To help federal agencies meet these requirements and paint the federal financial picture more clearly, the Director of OMB, the Comptroller General of the United States, and I have approved all of the basic accounting standards recommended by the Federal Accounting Standards Advisory Board. This marks the beginning of an era, where for the first time, the Federal Government has a body of "generally accepted accounting principles" to govern the preparation of financial statements by departments and agencies. The implementation of these standards will improve the quality of the financial data presented in future consolidated statements.

Robert E. Rubin

## from the comptroller general...



**Comptroller General  
of the United States**

**Washington, D.C. 20548**

For fiscal year 1996, our national government will achieve an important milestone when the 24 major federal departments and agencies prepare financial statements and have them independently audited. This is a major step in providing more useful and reliable information for decisionmakers to effectively manage government operations. These annual statements—required by the Government Management Reform Act (GMRA) of 1994, which expanded the requirements of the Chief Financial Officers Act of 1990—will help to identify and address weaknesses and high-risk areas and will offer meaningful data to assess the performance of entities that make up 99 percent of federal outlays.

Starting with fiscal year 1997, GMRA also mandates that the Department of the Treasury prepare annual consolidated financial statements for the executive branch and that the statements be audited by GAO. These new statements will replace the accompanying unaudited prototype financial statements, which have limited usefulness and reliability. This upgraded financial reporting and our associated audit role are key parts of the federal government's commitment to, for the first time, give the American people an overall scorecard on the national government's financial status and stewardship.

We are working closely with the executive branch and the Congress to address the unique circumstances affecting the accounting, reporting, and auditing of both the agencywide and governmentwide financial statements. While important progress has been made over the past several years, as I have reported in the past, agency financial managers must continue to (1) build integrated information systems capable of producing reliable financial, cost, and performance information, (2) establish effective systems of internal control to better control risks, and (3) develop more effective financial organizations with the strong leadership needed to produce auditable financial statements and provide quality services in an efficient manner. Full government accountability to the American public will only be achieved by continuing to make sustained progress in these areas.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Charles A. Bowsher